No. 92-114

IN THE

Supreme Court of the United States

OCTOBER TERM, 1992

CARDINAL CHEMICAL COMPANY, et al.,
Petitioners,

vs.

MORTON INTERNATIONAL, INC.,
Respondent.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF PETITIONERS

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QUESTION PRESENTED

Whether the Court of Appeals for the Federal Circuit errs when it vacates a declaratory judgment holding an asserted patent invalid merely because it has determined that the patent has not been infringed.

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page #

OTHER AUTHORITIES

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This amicus curiae brief is submitted in support of the Petitioners. Both Petitioners and Respondent have consented to the filing of this brief.

INTEREST OF THE AMICUS

The American Intellectual Property Law Association (AIPLA) is a national association of more than 7,000 members whose interest and practice lie in the areas of patent, copyright, trademark, trade secret and other intellectual property law. AIPLA's members include attorneys in private practice and those employed by corporations, universities and government. Unlike many other areas of practice in which separate and distinct plaintiffs' and defendants' bars exist, most, if not all, intellectual property law attorneys represent both plaintiffs and defendants.

AIPLA is deeply concerned about the Federal Circuit's practice of routinely vacating declaratory judgments of patent invalidity in all cases where non-infringement is found. The interests of patent litigants and those in the business community represented by our members would be directly and adversely affected if the Federal Circuit's practice were allowed to continue. Therefore, the AIPLA joins Petitioners in urging this Court to halt the Federal Circuit's practice of vacating declaratory judgments of invalidity in cases of non-infringement and to require that the Federal Circuit review them on the merits.

QUESTION PRESENTED

Whether the Court of Appeals for the Federal Circuit errs when it vacates a declaratory judgment holding an asserted patent invalid merely because it has determined that the patent has not been infringed.

SUMMARY OF ARGUMENT

The Federal Circuit, with exclusive jurisdiction over appeals in patent cases, routinely vacates declaratory judgments of patent invalidity whenever it has found that there is no infringement. That practice has no basis in law and indeed it conflicts with the decisions of this Court. As so clearly shown in the present case, the Federal Circuit's practice eviscerates the alleged infringer's remedy under the Declaratory Judgment Act, violates the public policy in favor of invalidating wrongfully-issued patents, and wastes the resources of litigants and the courts.

The Federal Circuit's practice finds no support in the mootness doctrine relied upon by that court as the basis for its practice. The Federal Circuit clearly has jurisdiction to review the invalidity judgment, even though it has determined there is no infringement. Moreover, prudential concerns such as judicial economy do not suggest the Federal Circuit should limit its decision to non-infringement and deny the parties review of the invalidity judgment. The alleged infringer sought and obtained a declaration of invalidity and that relief is greater than the mere dismissal of the patentee's infringement claim. Thus, the Federal Circuit has no discretion to deny both parties review of the invalidity judgment.

ARGUMENT

I. THE FEDERAL CIRCUIT'S PRACTICE IS CONTRARY TO LAW AND PUBLIC POLICY

A. The Practice Has Evolved Into A Non-Discretionary Rule

Soon after the Federal Circuit was given exclusive subject-matter jurisdiction over patent appeals in 1982, it began to review declaratory judgments of patent invalidity. The Federal Circuit's initial practice was almost uniform; it reviewed declaratory judgments of invalidity even though it decided that there was no infringement. *See, e.g., Mannesmann Demag Corp. v. Engineered Metal Products Co.*, 793 F.2d 1279 (Fed. Cir. 1986).

On June 16, 1987, the Federal Circuit issued two decisions that dramatically altered its practice. Those decisions held that when an accused infringer has obtained a declaratory judgment of invalidity, the Federal Circuit's determination of non-infringement requires that the declaratory judgment of invalidity be vacated. *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517 (Fed. Cir. 1987) (invalidity is "moot"); *Fonar Corp. v. Johnson & Johnson*, 821 F.2d 627, 634 (Fed. Cir. 1987) (no "case or controversy" as to invalidity), *cert. denied*, 484 U.S. 1027 (1988).

Since then, the Federal Circuit has routinely vacated declaratory judgments of invalidity upon determining non-infringement. *See, e.g., Sun-Tek Industries, Inc. v. Kennedy Sky Lites, Inc.*, 848 F.2d 179, 183 (Fed. Cir.

1988) (validity issue "moot"), *cert. denied*, 109 S. Ct. 793 (1989); *Perini America, Inc. v. Paper Converting Machine Co.*, 832 F.2d 581, 584 n.1 (Fed. Cir. 1987) (validity issue "moot"). As recognized by Chief Judge Nies, the Federal Circuit's practice of vacating declaratory judgments of invalidity has evolved into a *per se* rule. *See Morton Int'l, Inc. v. Cardinal Chemical Co.*, 967 F.2d 1571, 1574 (Fed. Cir. 1992) (Nies, C.J., dissenting from denial of rehearing in banc). Therefore, the Federal Circuit has not been exercising any discretion in declining to review and vacating invalidity judgments.

B. This Case Demonstrates Why This Court Should Eliminate The Federal Circuit's Practice

The present respondent, Morton International, Inc., simultaneously pursued three patent infringement actions on its two patents. In the first to proceed to trial, the district court for the Eastern District of Louisiana held Morton's patents invalid and found them not infringed after an eight-day bench trial. The Federal Circuit affirmed the non-infringement finding and vacated the district court's judgment of invalidity. *Morton Thiokol, Inc. v. Argus Chemical Corp.*, 873 F.2d 1451 (Fed. Cir. April 3, 1989) (unpublished).

In the second action to be tried, the district court for the District of South Carolina held the patents invalid and found them not infringed after a five-day bench trial. Once again, the Federal Circuit affirmed the non-infringement finding and vacated the judgment of invalidity. *Morton Int'l, Inc. v. Cardinal Chemical Co.*, 959 F.2d 948 (Fed. Cir. 1992).

Morton is asserting its twice-resurrected patents in a third action. *Morton Int'l, Inc. v. Atochem North America, Inc.*, No. 87-60-CMW (D. Del.). That action has been stayed, pending this Court's disposition of the present case.

No one is satisfied with the Federal Circuit's practice. The patentee Morton is denied a chance of getting the invalidity judgment reversed on the merits. The defendants who litigated have now lost a hard-fought invalidity judgment. Moreover, additional defendants have to set aside resources to defend against future infringement actions.

C. The Federal Circuit's Practice Eviscerates The Declaratory Judgment Act

Congress enacted the Declaratory Judgment Act ("the Act") to provide a remedy to persons seeking a declaration of their rights in cases of actual controversy. 28 U.S.C. § 2201. No longer would these persons have to act at their peril or abandon their rights for fear of incurring damages. S. Rep. No. 1005, 73rd Cong., 2d. Sess. 2 (1934). The Act greatly affected patent litigation by giving alleged infringers an opportunity to adjudicate the invalidity of asserted patents. As a result, the Act curbed patentees' notoriously-abusive practice of threatening competitors with patent infringement litigation. *See Arrowhead Industrial Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 734-35 (Fed. Cir. 1988); E. Borchard, *Declaratory Judgments* 802-04 (2d ed. 1941).

Soon after passage of the Act, an issue arose as to whether an alleged infringer could obtain a declaratory

judgment of patent invalidity even though the court had ruled that it did not infringe. In his definitive work on declaratory judgments, Professor Borchard, a drafter of the Act, expressed the prevailing view:

> Having been forced into court by the patentee who necessarily relied on the validity of his patent, [the accused infringer] ought to be permitted to obtain an adjudication on the fundamental issue of validity -- important for his present and any other products which approximate the patented device -- and not be confined compulsorily and exclusively to the narrow question whether his present product infringes, regardless of his desire and demand that the patent be held invalid.

E. Borchard, *supra*, at 815. The lower courts have often followed Professor Borchard's view. *See, e.g., Dale Electronics, Inc. v. R.C.L. Electronics, Inc.*, 488 F.2d 382, 390 (1st Cir. 1973); *see also Trico Products Corp. v. Anderson Co.*, 147 F.2d 721 (7th Cir. 1945) (reversing dismissal before trial of counterclaim for declaration of patent invalidity).

The Federal Circuit's practice of routinely vacating declaratory judgments of invalidity whenever the patentee has failed to prove infringement denies the alleged infringer the remedy of invalidating the patent unless that alleged infringer has first been adjudged to be an infringer. But the alleged infringer need only have apprehended suit to seek a declaration of invalidity, and need not be an adjudicated infringer to obtain that relief. *See International Medical Prosthetics Research*

Associates, Inc. v. Gore Enterprise Holdings, Inc., 787 F.2d 572, 575 (Fed. Cir. 1986) (alleged infringer may deny infringement and demand declaratory judgment of invalidity).

The result of Morton's twice having lost the infringement issue on appeal is that its patents have been twice resurrected. Those two resurrections, which have allowed Morton to continue to pursue a third alleged infringer, demonstrate how the Federal Circuit's practice has eviscerated the Declaratory Judgment Act in patent cases.

D. The Federal Circuit's Practice Conflicts With This Court's Altvater Decision

This Court considered the application of the Declaratory Judgment Act to patent litigation in *Altvater v. Freeman*, 319 U.S. 359 (1943). In *Altvater*, the respondent sued for specific performance of a patent license agreement. Petitioners filed a counterclaim praying for, *inter alia*, a declaratory judgment of patent invalidity. The district court held that the petitioners were not infringing, were therefore not breaching the license, and that the patents were invalid. Accordingly, the district court dismissed the complaint and granted the prayer of the counterclaim. The court of appeals affirmed but, on a petition for rehearing, ruled that there was no longer a justiciable controversy between the parties when it found no infringement, and thus vacated the invalidity judgment.

This Court granted certiorari because of the apparent misinterpretation by the appellate court of this Court's

decision in *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U.S. 241 (1939), and ruled that:

> [*Electrical Fittings*] was tried only on bill and answer. The District Court adjudged a claim of a patent valid, although it dismissed the bill for failure to prove infringement. We held that the finding of validity was immaterial to the disposition of the cause and that the winning party might appeal to obtain a reformation of the decree. To hold a patent valid if it is not infringed is to decide a hypothetical case. But the situation in the present case is quite different. *We have here not only bill and answer but a counterclaim. Though the decision of non-infringement disposes of the bill and answer, it does not dispose of the counterclaim which raises the question of validity.*

319 U.S. at 363 (emphasis added; footnote and citations omitted).

Altvater recognized a significant difference between an alleged infringer's right to a declaratory judgment of invalidity, as involved in *Altvater*, and a mere defense of invalidity, as involved in *Electrical Fittings*. Accordingly, this Court held that a declaratory judgment of patent invalidity may not be summarily vacated as moot *solely* because of a non-infringement finding.

E. The Federal Circuit's Practice Violates Public Policy

Wrongfully-issued patents may hinder free competition in technologies which rightfully ought to be

in the public domain. *See, e.g., Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). To avoid this restriction, this Court has repeatedly recognized the public importance of invalidating wrongfully-issued patents. *E.g., Pope Manufacturing Co. v. Gormully*, 144 U.S. 224, 234 (1892). Indeed, this Court has noted that, as between patent validity and infringement, "validity has the greater public importance." *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327, 330 (1945). By routinely vacating judgments declaring patents invalid without examining the judgments on the merits, the Federal Circuit routinely resurrects "invalid" patents, which may hinder what rightfully should be free competition.

In addition, the Federal Circuit's practice violates the public policy in favor of minimizing the need for repetitive and endless litigation. The vacatur of a patent invalidity judgment gives the patentee an opportunity to waste the resources of competitors and the courts in subsequent litigation. It is a well-acknowledged fact that "patent litigation is a very costly process."[1] *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 334 (1971). Just this year, an advisory commission reported that "one of the most significant problems facing the United States patent system is the spiraling cost and complexity associated with enforcement of patent rights." THE ADVISORY COMM'N ON PATENT LAW REFORM, A REPORT TO

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1 Petitioners claim to have spent over $1 Million litigating the case through trial. The median cost of patent litigation through trial for the entire country is almost $400,000. American Intellectual Property Law Association, *Report of Economic Survey 1991* 29 (1991).

THE SEC'Y OF COMMERCE 75 (1992). Today "[c]urrent levels of litigations costs can be easily absorbed for only the most significant, and economically valuable patented inventions." *Id.* at 76.

The Federal Circuit's practice allows a patentee stripped of its patent by a declaratory judgment of invalidity to regain its patent by losing the appeal of the non-infringement ruling. But the practice is no boon to the patentee whose appeal of the invalidity judgment fell on deaf ears. The resurrected patent is in a state of limbo: declared invalid by the district court but resurrected by the appellate court without a ruling on the merits. Thus, the Federal Circuit's practice wastes the money and time spent by litigants on both sides and by district courts in adjudicating actions for declaratory judgment on the validity of patents.

A patentee's right to reassert the resurrected patent not only risks multiplying this waste in subsequent litigation, but may convince a third-party competitor not to sell products covered by the invalid patent, or may convince an alleged infringer to pay royalties under the invalid patent rather than challenge the patent's validity. For this very reason, this Court held in *Blonder-Tongue* that a patentee is estopped to assert a patent once held invalid. 402 U.S. at 338. Moreover, because a final judgment of invalidity would free existing licensees from the royalty obligation, *Troxel Manufacturing Co. v. Schwinn Bicycle Co.*, 465 F.2d 1253, 1255 (6th Cir. 1972), the Federal Circuit's practice keeps licensees under the yoke of patent license royalties until an adjudged infringer invalidates the patent.

The Federal Circuit's practice violates the policy of invalidating wrongfully-issued patents and wastes the resources of litigants, district courts and the public. These effects alone demonstrate that the Federal Circuit's practice should be overruled.

II. THE FEDERAL CIRCUIT MUST REVIEW THE JUDGMENT ON THE INVALIDITY CLAIM BECAUSE THAT CLAIM IS NOT MOOT AND AFFORDS GREATER RELIEF THAN THE DENIAL OF THE INFRINGEMENT CLAIM

A. The Federal Circuit's Practice Finds No Support In The Mootness Doctrine

Federal Circuit cases have attributed the practice to "jurisdictional mootness." That is, the court believes that the determination of non-infringement ends the controversy over validity.

Of course, a controversy must be extant at all stages of the case, *Prieser v. Newkirk*, 422 U.S. 395, 401 (1975), including at "the time the federal court decides the case," *Burke v. Barnes*, 479 U.S. 361, 363 (1987). Here, the district court, as it must, decided the appropriateness and merits of both Morton's claim for damages and injunctive relief and Cardinal's claim for declaratory relief. *See Super Tire Engineering Co. v. McCorkle*, 416 U.S. 115, 121 (1974). Obviously, the district court had

jurisdiction over all of the parties' claims.[2] At the time the Federal Circuit decided the present appeal, there was still a controversy, one that continues today, and will continue, at the very least, until there is a final, nonappealable judgment of either non-infringement or invalidity. *See Deposit Guaranty National Bank v. Roper*, 445 U.S. 326, 337 (1980) (a final judgment does not end controversy until the time to appeal that judgment has run). Because the Federal Circuit is not a court of last resort, its determination of non-infringement cannot moot the claim for a declaratory judgment of patent invalidity. *Morton*, 959 F.2d 953 (Lourie, J., concurring).

The Federal Circuit has confused a "judgment in favor of a party at an intermediate stage of litigation" with "the definitive mootness of a case or controversy which ousts the jurisdiction of the federal courts and requires dismissal of the case." *Deposit Guaranty*, 445 U.S. at 335 (1980). Jurisdiction is lost and vacatur results when appellate review is prevented because the case becomes moot while on appeal. *United States v. Munsingwear, Inc.*, 340 U.S. 36, 39-40 (1950). In the present case, nothing happened while the case was pending that could have eliminated the justiciable controversy underlying the claim for a declaration of patent invalidity.

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[2] Indeed, the Federal Circuit has encouraged the district courts to decide both invalidity and non-infringement. *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1540-41 (Fed. Cir. 1983).

B. A Declaratory Judgment Of Invalidity Affords Greater Relief Than A Denial Of The Infringement Claim

Because the question presented is clearly not a jurisdictional one, the only remaining issue is how the Federal Circuit should determine which issues or claims to review.

It is a common practice of appellate courts to decide only one issue and decline to decide another if the decided issue is dispositive of the claim to which it pertains. An issue is dispositive if its resolution resolves the claim in dispute and renders the resolution of other issues unnecessary to resolve that same claim. *Manning v. Upjohn Co.*, 862 F.2d 545, 547 (5th Cir. 1989) (declining to reach defenses after disposing of claim on basis of a single defense). For example, in patent cases, the Federal Circuit routinely declines to decide patent invalidity issues when a single decided issue invalidates the patent. *E.g., Spectra-Physics, Inc. v. Coherent, Inc.*, 827 F.2d 1524, 1537-38 (Fed. Cir.), *cert. denied*, 484 U.S. 954 (1987).

The practice is similar when an appellate court decides which claims it should resolve. Courts may decline to decide a claim if its resolution would not alter the relief to which any party is entitled in view of how another claim was decided. For example, this Court declines to decide constitutional claims when the relief awarded under a claim for violation of state law would be the same or greater than the relief sought under a claim for violation of the Constitution. *See Chicago Great Western Ry. Co. v. Kendall*, 266 U.S. 94, 98 (1924)

(declining review of federal constitutional claim where "relief to which the complainant might be entitled would be the same as that which should be allowed" under state law claim); *Green v. Louisville and Inter-Urban Railroad Co.*, 244 U.S. 499, 519 (1917) (declining review of federal constitutional claim where "no other or greater relief is sought . . . than plaintiffs are entitled to under" state law claim).

Similarly, the inferior appellate courts decline to decide claims only if the undecided claims would afford the same or less relief than the decided claims. *Compare Liquid Air Corp. v. Rogers*, 834 F.2d 1297 (7th Cir. 1987) (declining to review finding on a claim because a favorable resolution would not lessen amount of award), *cert. denied*, 492 U.S. 917 (1989), *and May v. Watt*, 822 F.2d 896, 901 (9th Cir. 1987) (declining to decide one claim because another claim afforded the same relief for the same harm) *with Orthopedic Equipment Co. v. All Orthopedic Appliances, Inc.*, 707 F.2d 1376, 1383 (Fed. Cir. 1983) (deciding claims of *both* patent invalidity *and* patent unenforceability because attorney's fees were sought based on the patent's unenforceability).

In the present case, the non-infringement ruling resolved the patentee's claims for damages and injunctive relief. By refusing to review the invalidity judgment, however, the Federal Circuit has improperly prevented resolution of the alleged infringer's claim for declaratory relief. *Cf. Super Tire*, 416 U.S. at 121 (courts have duty to decide appropriateness and merits of declaratory relief irrespective of mootness of claims for injunctive relief). Certainly, the alleged infringer's claim

for a declaration of invalidity seeks a different and greater form of relief than the mere dismissal of the patentee's claim for patent infringement. Unlike a judgment dismissing the patentee's case, a declaration of invalidity bars all future litigation on the patents in suit against the world. *Blonder-Tongue*, 402 U.S. at 338.

In addition, the patentee is the party who has appealed the declaration of invalidity. The absence of infringement cannot prevent him from obtaining an appeal on the merits of the outstanding invalidity judgment. That is, non-infringement is not a defense to the alleged infringer's claim for a declaration of invalidity.

Therefore, the Federal Circuit must review declaratory judgments of invalidity regardless of its ruling on the patentee's claim for infringement. But this review would not require the Federal Circuit to decide both invalidity and infringement in all cases. Prudential concerns could relieve the Federal Circuit from deciding the issue of infringement if the patent is invalid. In that case, the patentee has been denied all the relief he requested, and the alleged infringer has obtained the ultimate relief -- a declaration that the patent is invalid. Because no relief could be affected by resolving the infringement issue, the Federal Circuit would not need to consider it.

In sum, appellate courts have discretion to select which issues or claims they decide. This discretion, however, merely allows the courts to decline to decide redundant issues or claims -- those which will not afford greater relief than claims already decided. But the

declaratory judgment of invalidity is not rendered redundant by the Federal Circuit's determination of non-infringement. For that reason, the Federal Circuit's practice is not within that court's discretion.

CONCLUSION

This Court should end the Federal Circuit's practice of routinely vacating declaratory judgments of invalidity upon finding no infringement, and remand this case to the Federal Circuit with instructions to review the appealed invalidity judgment.

Respectfully submitted,

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